Enterprise On Demand Transformation

IBM's On Demand Transformation: Reinventing the Enterprise

ON DEMAND BUSINESS™

IBM Transformation

June 2004

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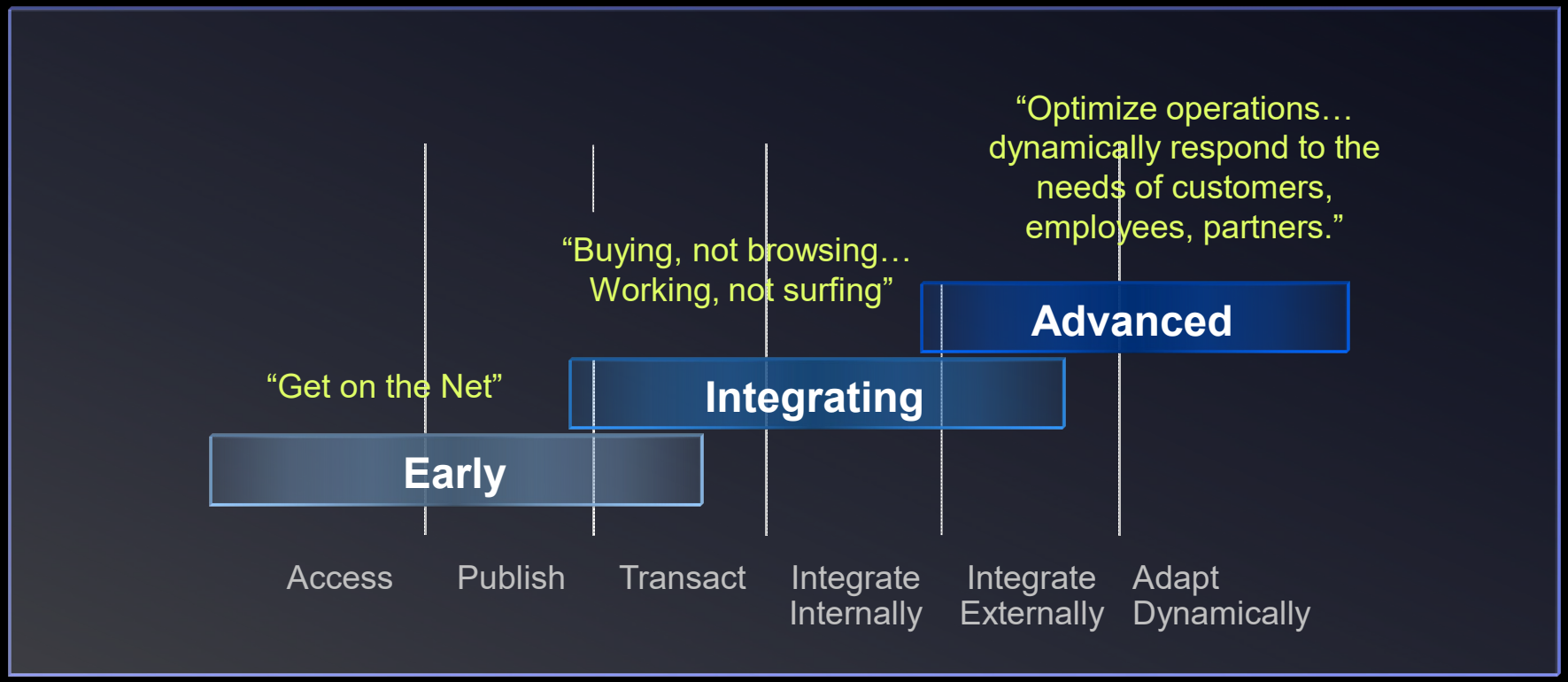
Agenda

- **Understanding the e-business journey**
- **IBM's transformation: a decade of change**
- **The on demand era: looking ahead**
- **Lessons learned**

Moving to more advanced e-business on demand strategies

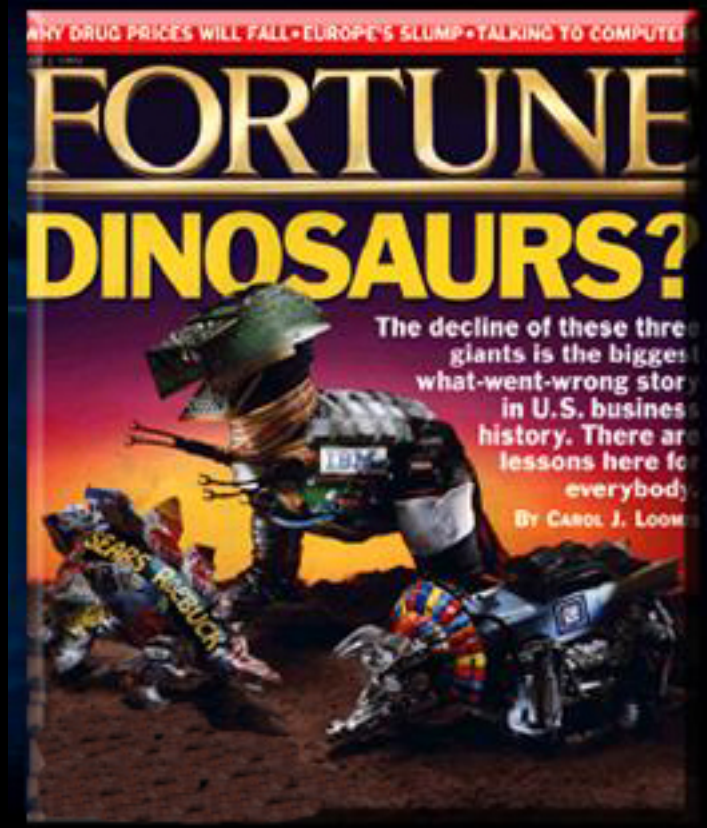


We were on the verge of breakup

1984

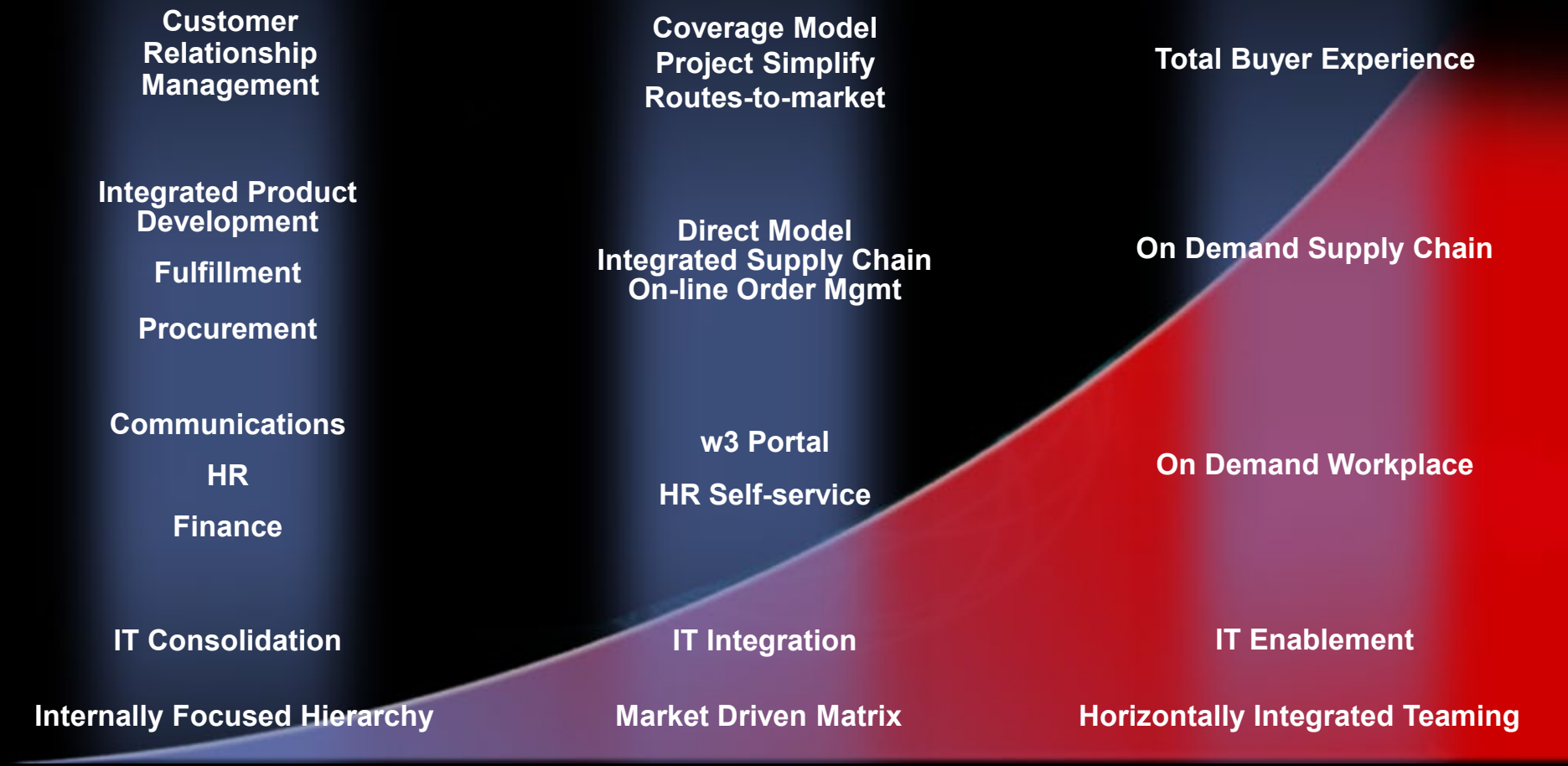
Fortune Magazine, January 9, 1984

1992



Fortune Magazine, May 3, 1993

IBM's evolution to on demand



IT infrastructure consolidation

	1992	2003
CIOs	128	1
Host Data Centers	155	10
Web Hosting Centers	80	7
Network	31	1
Applications	16,000	4,926

HR: Delivering more with less through improved efficiency

	Early '90s	2003
HR Operation Centers	38	1
Key applications	168	71
HR data center	21	1
HR U.S. Headcount	3,650	1,238
WW Ratio HR/Employees	1:59	1:110

The on demand era: looking ahead

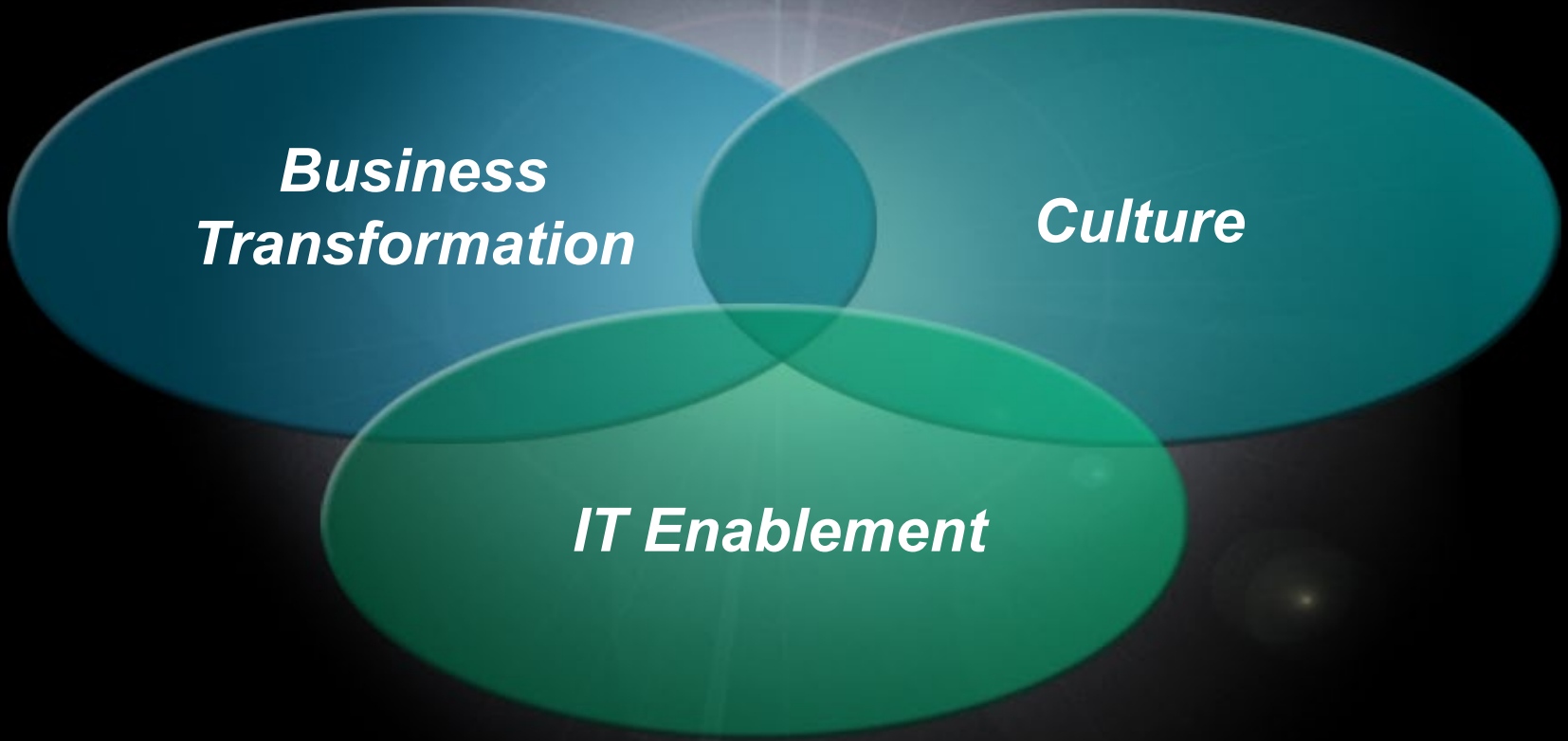
- **What is on demand?**
- **IBM's on demand transformation**
  - **Transformation framework**
  - **Management system**
- **Lessons learned**

Defining the next computing era

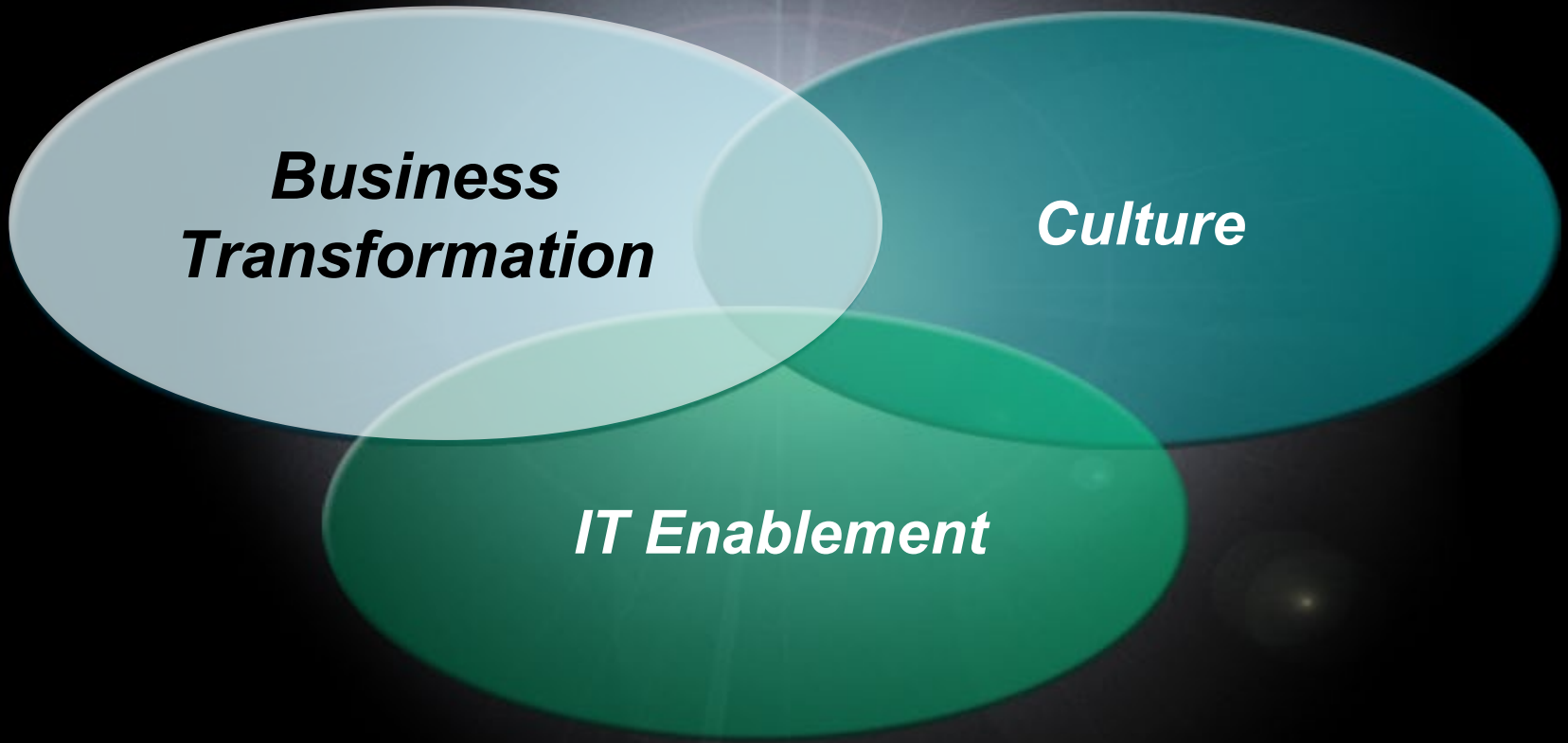
"Companies have come to realize that if they're going to respond rapidly and effectively to today's volatile marketplace, the need to do more than Web-enable discrete systems, processes or business units. They need to pull together all of the systems they've already got and integrate them securely with their core business activities – horizontally, across not just their whole company but their entire value chain, from customers to suppliers. This is an on demand enterprise."

- Sam Palmisano, *2003 Annual Report*

Transformation framework



IBM's Transformation Framework



Total Buyer Experience

Challenge: Enable the sales force to effectively deliver a superior customer experience

- **Solutions**
  - Improve ease of doing business
    - CRM (Siebel), Transactional efficiency (Strategic Direct)
    - Customer experience (Project Simplify)
  - Tailor solutions to customer needs with a greater level of integration
    - Pilots in Banking and Communications
  - Improve sales productivity
- **Benefits**
  - Sales face time improved 17% to 29% in 2003
  - Technical support, Business Partner satisfaction move to #1
  - On track to $500M in savings via Project Simplify

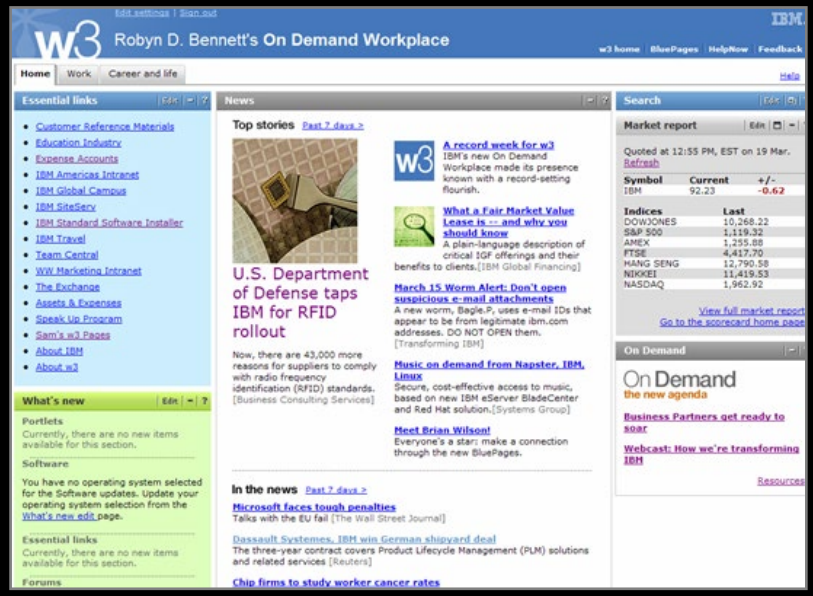
Integrated Supply Chain

Challenge: Build efficient, responsive supply chain, integrated end-to-end

- **Solutions**
  - Extend supply chain principles to services delivery
  - Continue end-to-end process linkage
  - Common platforms: SAP, Siebel, WebSphere, B2B
  - Provide solutions integration and delivery capability
- **Benefits**
  - $7B+ in cost reductions in 2003
  - Reduced sales force time spent on supply chain by 20%
  - Inventory levels reach 30-year low
  - $700M in cost reductions in IGS in 2003

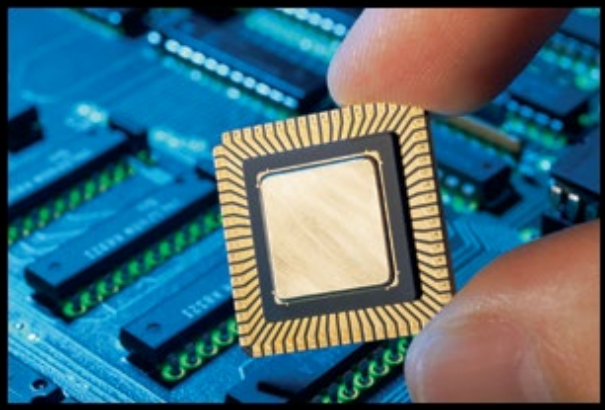
On Demand Workplace

Challenge: Provide roles-based, integrated workplace for employees



- **Solutions**
  - Manager Portal
  - Expertise Location
  - W3 version 8
  - Opportunity Marketplace
  - e-Learning Initiative
- **Benefits**
  - 69% of managers see time savings from Manager Portal
  - 1-3 hours a month returned to BluePages users
  - 71% of IBMers view ODW as most credible information source
  - $2 billion in annual cost savings
  - Almost 50% of training delivered over the Web

Solutions Marketing and Development

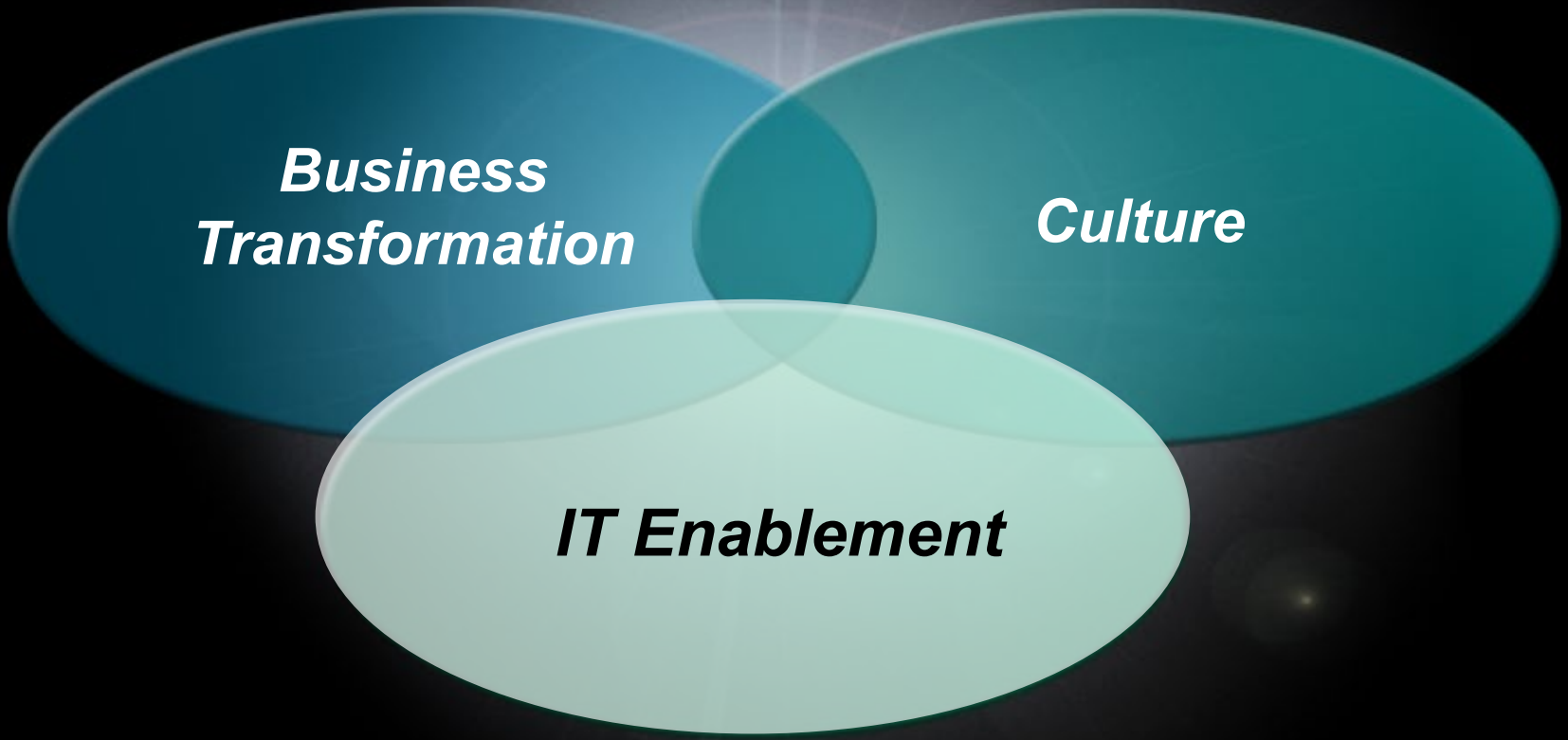


Challenge: **Enable market-driven solutions development to maximize growth while maintaining quality**

- **Solutions**
  - Define a common taxonomy for offerings/solutions
  - Implement a cross-IBM portfolio management process
  - Align industries and brands around markets, offerings/solutions and routes
  - Establish a Solutions Governance Model

- **Benefits**
  - Integrate technology offerings for clients
  - Reduce cost and improve offering quality
  - Utilize a portfolio management approach for cross-IBM market selection

IBM's Transformation Framework

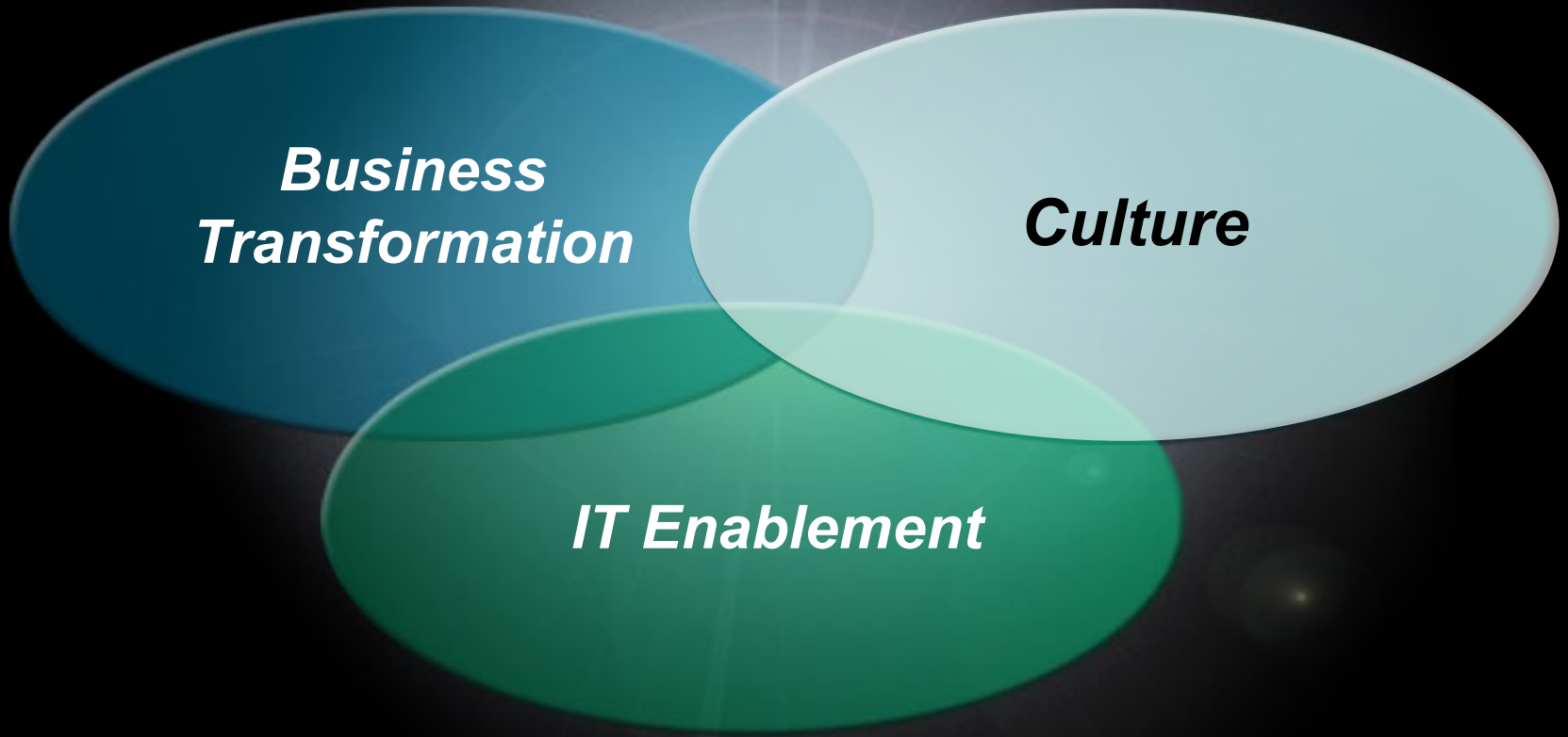


IT Enablement

Challenge: Deliver infrastructure, data, applications needed to support on demand transformation

- **Solutions**
  - Complete global Ethernet migration
  - Upgrades to Notes/Sametime
  - Virtualized operating environment and leverage open standards
  - Implement component-based architecture
  - Automatic patch management to fight viruses
- **Benefits**
  - Shift mix from 80/20 to 70/30
  - Improved employee productivity
  - Reuse of development assets
  - IBM as showcase on demand business

IBM's Transformation Framework



Collaboration: The key behavior

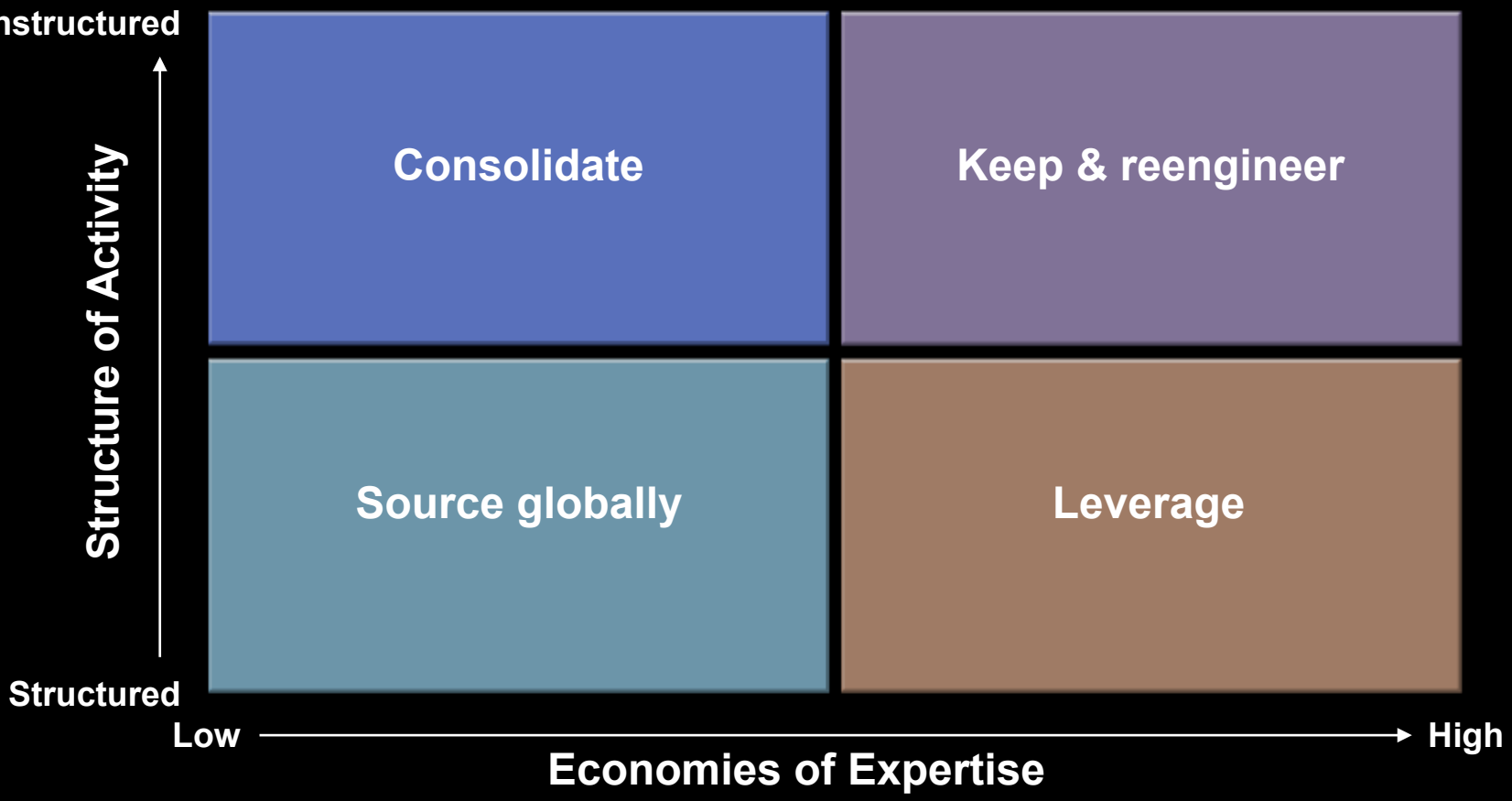
Challenge: Leverage the creativity and expertise of 320K IBMers

- **Solutions**
  - IBM Values shaped by our employees
  - New model for leadership competencies
  - Balanced compensation objectives - IBM and Business Unit
  - Recruited leaders as agents of change
  - New collaborative tools
- **Benefits**
  - New opportunities for growth and innovation
  - Improved employee satisfaction and buy-in to strategy

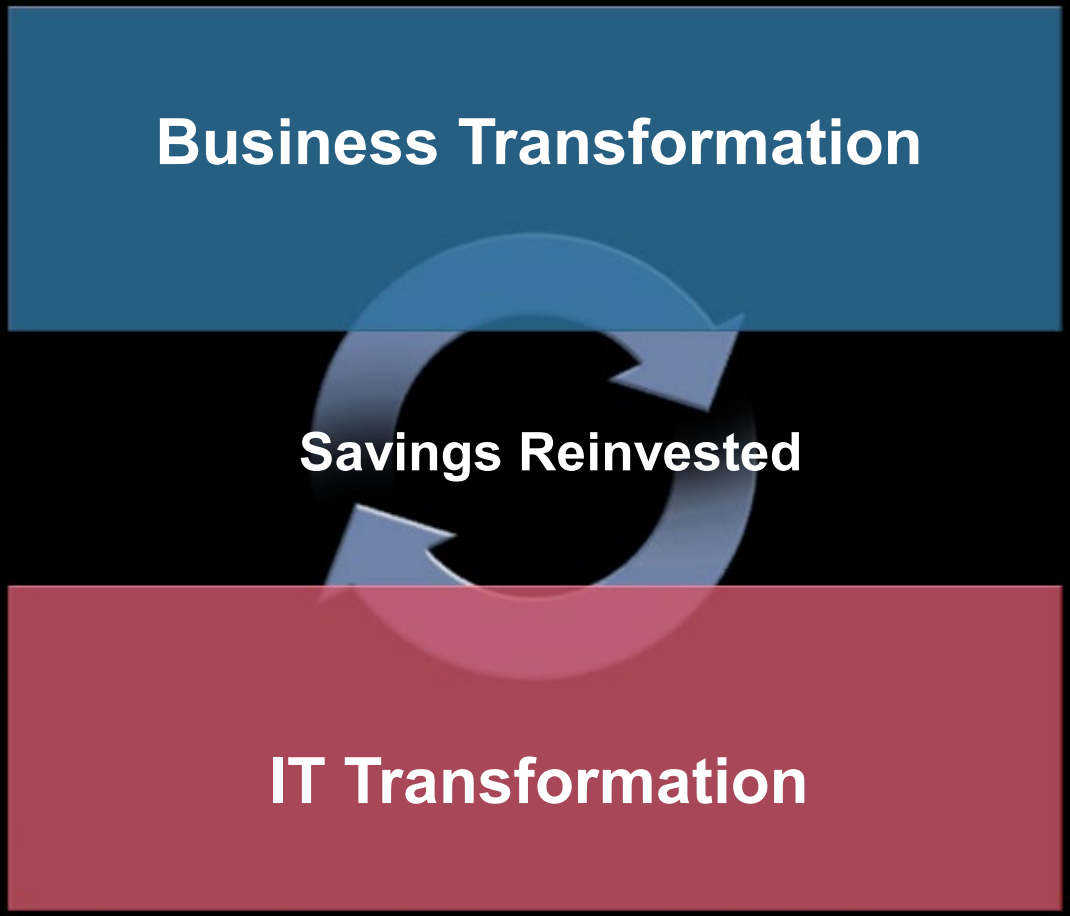
How we are managing the transformation …

- **We have established a management system to drive the transformation into the business:**
  - Economies of Expertise
  - Reinvestment Cycle
  - Governance Model
  - Measurement System

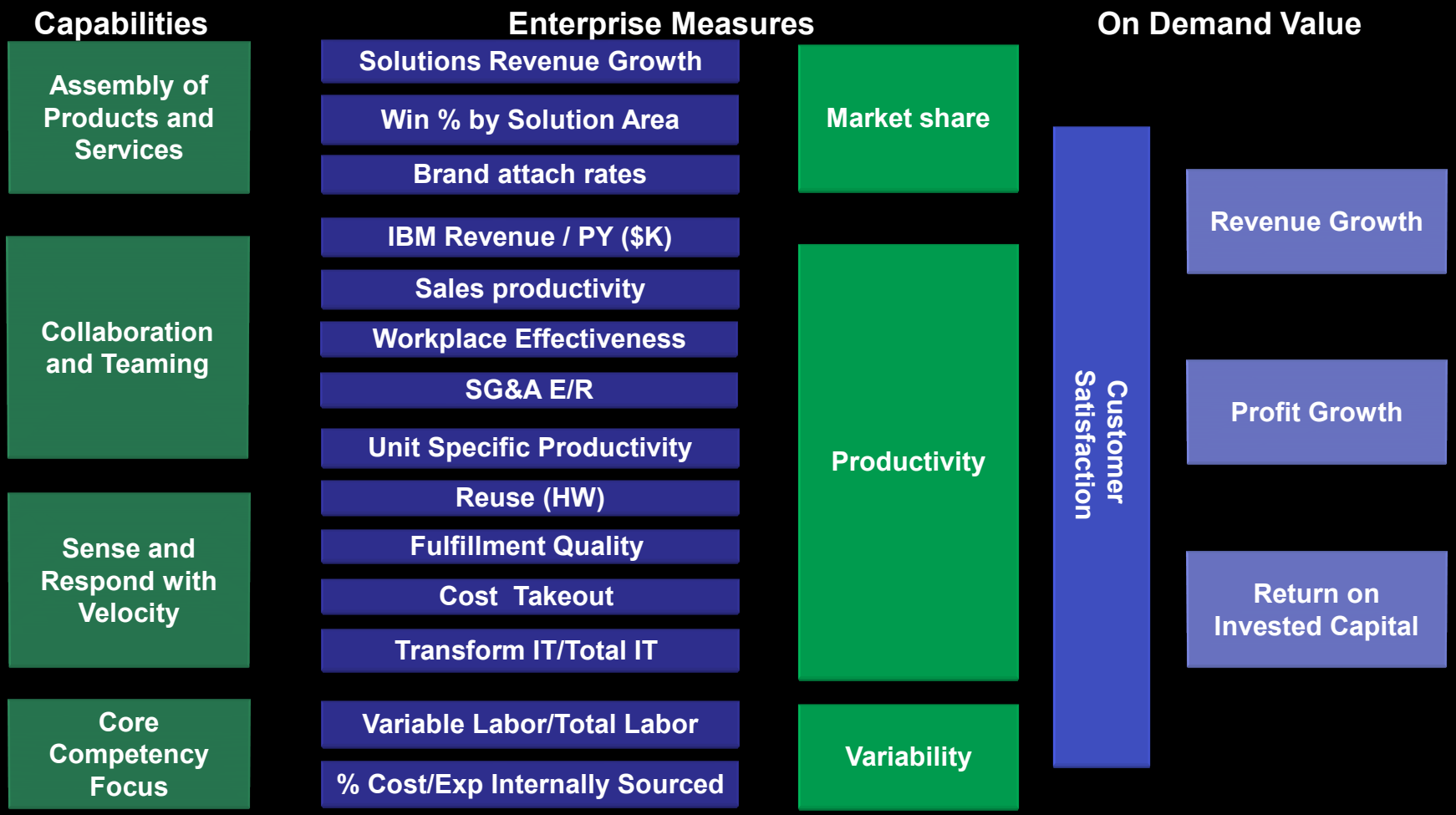
Economies of expertise



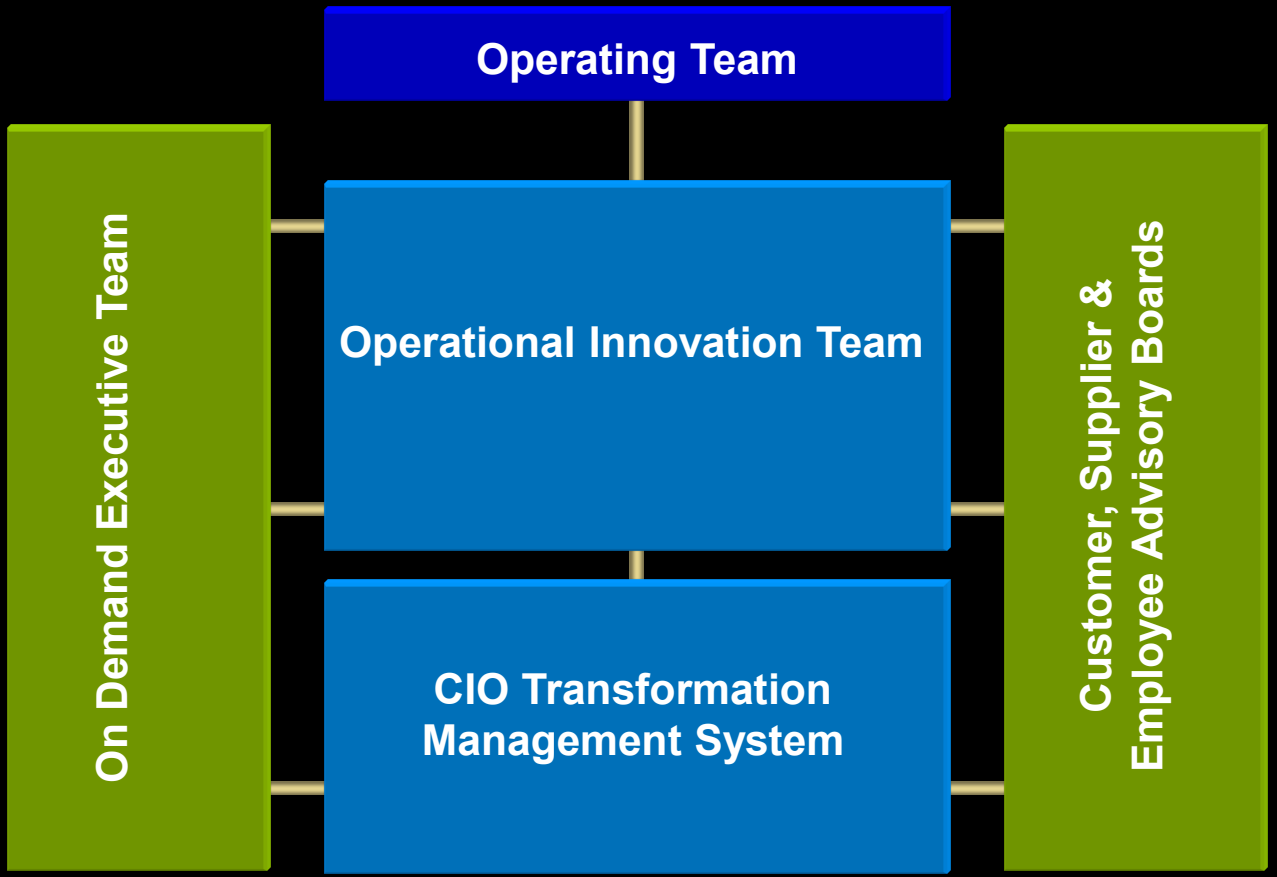
On demand reinvestment cycle

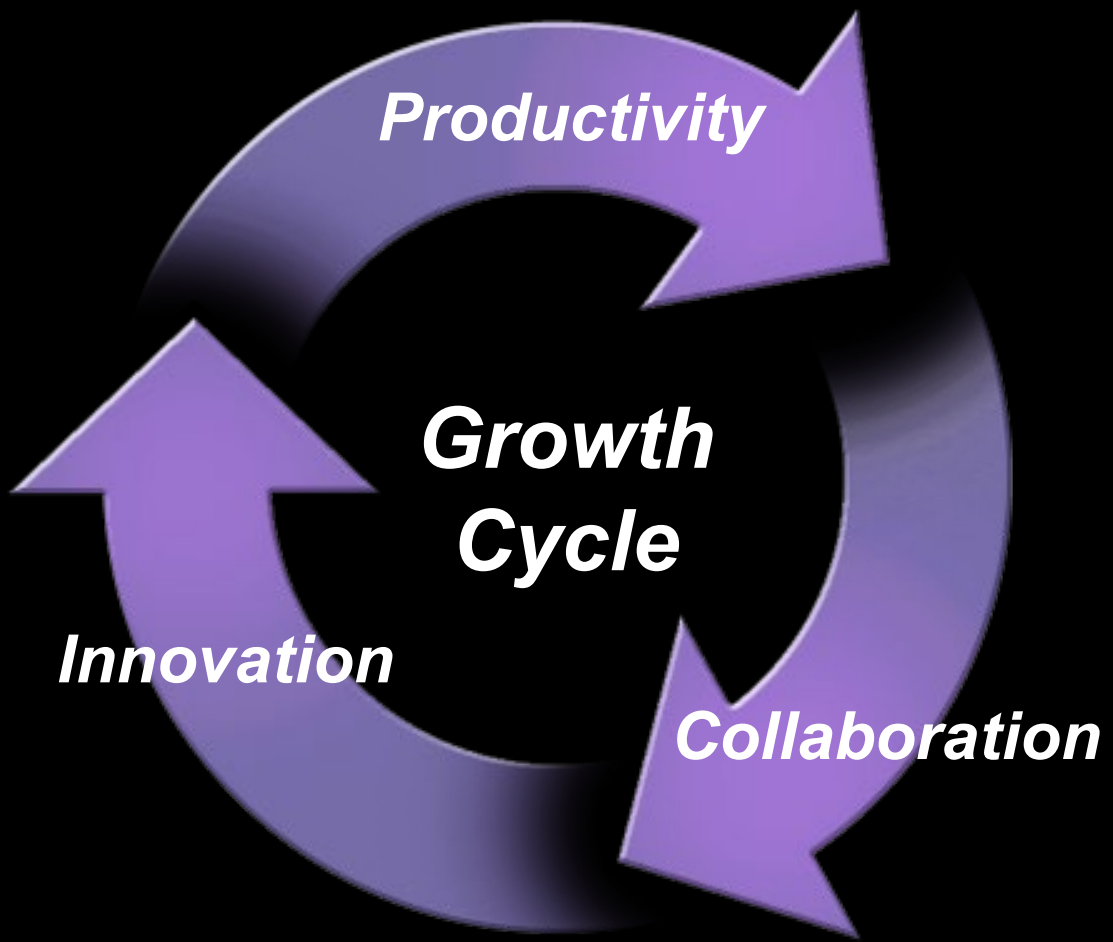


On demand metrics



On demand governance model




Productivity
Growth Cycle
Innovation
Collaboration

Lessons learned

- Create a “sense of urgency” that the company can rally around
- Define short term projects with near-term results
- Review business processes to see if changes are needed before you deploy technology
- Technology enables and hastens transformation
- Sunset legacy systems/applications/tools as new ones are deployed
- Can NOT overemphasize the importance of culture – this will make you or break you